

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF WASHINGTON

MARIA NARANJO, Individually and
as Successor-in-Interest to JOSE I.V.
NARANJO, Deceased, CARLA
SILVA-NARANJO, Individually,
LUIS R. NARANJO, Individually,
GRISELDA I. NARANJO,
Individually, ARACELI
GONZALEZ-NARANJO,
Individually, JOSE M. NARANJO,
Individually, and OSCAR N.
NARANJO, Individually,

Plaintiffs,

v.

CRGTS, INC., a Washington
corporation, and CONTINENTAL
DIVIDE INSURANCE COMPANY,
a California corporation, CARLOS
GONZALEZ, an Individual, and
JOSE R. INZUNZA, an Individual,

Defendants.

NO. 1:21-CV-3142-TOR

ORDER GRANTING DEFENDANT
CDIC'S MOTION TO DISMISS

BEFORE THE COURT are Plaintiffs' Motion to Enjoin Collateral
Proceeding (ECF No. 8) and Defendant CDIC's Motion to Dismiss or
Alternatively to Transfer Venue (ECF No. 14). These matters were submitted for

1 consideration without oral argument. The Court has reviewed the record and files
2 herein, and is fully informed. For the reasons discussed below, Defendant CDIC's
3 Motion to Dismiss or Alternatively to Transfer Venue (ECF No. 14) is granted,
4 which moots Plaintiffs' Motion to Enjoin Collateral Proceeding (ECF No. 8).

5 **BACKGROUND**

6 This case arises out of an insurance coverage dispute following a fatal
7 commercial trucking accident near Yakima, Washington. ECF No. 2 at 21, ¶ 3.1.
8 Plaintiffs are family members of the decedent and residents of Washington and
9 California. *See id.* at 19, ¶¶ 1.1-1.8. Defendant CRGTS, Inc. is a resident of
10 Washington, Defendant Gonzalez is a resident of California, Defendant Inzunza is
11 a resident of Arizona, and Defendant Continental Divide Insurance Company
12 ("CDIC") is a resident of Colorado and Nebraska. *Id.* at 19-20, ¶¶ 1.6-1.12.

13 On December 22, 2015, CRGTS employee Mr. Inzunza attempted to take a
14 left turn onto a highway with a commercial semi-trailer truck but stopped in the
15 median, partially blocking the left lane. ECF No. 2 at 21-22, ¶¶ 3.4-3.6. The
16 decedent collided with the CRGTS semi-trailer, and sustained injuries that resulted
17 in his death. *Id.* at 22, ¶ 3.6. At the time of collision, CRGTS was insured under a
18 trucker coverage policy issued by CDIC. *Id.* at 21, ¶ 3.2.

19 On October 10, 2017, Plaintiffs filed a wrongful death suit against CRGTS
20 and Mr. Inzunza in Superior Court of the State of California. ECF No. 2 at 22, ¶

1 3.8. The jury awarded Plaintiffs a judgment in the amount of \$7,619,000. ECF
2 No. 2 at 2, ¶ 2.

3 On August 3, 2021, Plaintiffs filed the present suit in Yakima County
4 Superior Court in Washington. ECF No. 1 at 14. On August 9, 2021, Plaintiffs
5 filed the operative amended complaint seeking a declaratory judgment under RCW
6 7.24.020 that CDIC owes defense and indemnity coverage obligations to CRGTS
7 and Mr. Inzunza for claims asserted against them in the underlying lawsuit. ECF
8 No. 2 at 25, ¶¶ 6.1-6.2. On October 26, 2021, CDIC removed the action to this
9 Court. ECF No. 1 at 1.

10 DISCUSSION

11 A. Motion to Dismiss Standard

12 “After the pleadings are closed – but early enough not to delay trial – a party
13 may move for judgment on the pleadings.” Fed. R. Civ. P. 12(c). In reviewing a
14 Rule 12(c) motion, the court “must accept all factual allegations in the complaint
15 as true and construe them in the light most favorable to the non-moving party.”
16 *Fleming v. Pickard*, 581 F.3d 922, 925 (9th Cir. 2009). “Analysis under Rule
17 12(c) is substantially identical to analysis under Rule 12(b)(6) because, under both
18 rules, a court must determine whether the facts alleged in the complaint, taken as
19 true, entitle the plaintiff to a legal remedy.” *Chavez v. United States*, 683 F.3d
20 1102, 1108 (9th Cir. 2012) (internal quotation marks and citation omitted).

1 While the plaintiff's "allegations of material fact are taken as true and
2 construed in the light most favorable to the plaintiff" the plaintiff cannot rely on
3 "conclusory allegations of law and unwarranted inferences ... to defeat a motion to
4 dismiss for failure to state a claim." *In re Stac Elecs. Sec. Litig.*, 89 F.3d 1399,
5 1403 (9th Cir. 1996) (citation and brackets omitted). That is, the plaintiff must
6 provide "more than labels and conclusions, and a formulaic recitation of the
7 elements." *Bell Atlantic Corp. v. Twombly*, 550 U.S.544, 555 (2007). When
8 deciding, the Court's review is limited to the complaint, documents incorporated
9 into the complaint by reference, and judicial notice. *Metzler Inv. GMBH v.*
10 *Corinthian Colleges, Inc.*, 540 F.3d 1049, 1061 (9th Cir. 2008) (citing *Tellabs, Inc.*
11 *v. Makor Issues & Rights, Ltd.*, 551 U.S. 308, 322 (2007)).

12 **B. Statutory Standing**

13 CDIC moves to dismiss the amended complaint on the grounds that
14 Plaintiffs lack standing to sue as third parties to the insurance policy. ECF No. 14
15 at 4-8. Plaintiffs assert that they have standing where their interests are sufficiently
16 affected by the insurance policy between CDIC and CRGTS. ECF No. 19 at 7-12.
17 The Court notes the briefing is not clear on the type of "standing" at issue. *See*
18 ECF Nos. 14, 19. CDIC clarifies that its motion "is based on Washington contract
19 law." ECF No. 21 at 2. Therefore, constitutional standing is not at issue.

1 As a federal court sitting in diversity,¹ the Court applies state substantive law
2 and federal procedural law. *Erie R. Co. v. Tompkins*, 304 U.S. 64, 78 (1938).
3 Statutory standing is a question of state law. *See Hinojos v. Kohl's Corp.*, 718
4 F.3d 1098, 1108 (9th Cir. 2013). A lack of statutory standing is a merits
5 determination that requires dismissal for failure to state a claim. *Maya v. Centex*
6 *Corp.*, 658 F.3d 1060, 1067 (9th Cir. 2011); *Jewel v. Nat'l Sec. Agency*, 673 F.3d
7 902, 907 n.4 (9th Cir. 2011) (noting there is often confusion between constitutional
8 and statutory standing). Here, Plaintiffs bring a claim for declaratory judgment
9 under RCW 7.24.020.

10 While not briefed by the parties, the Court notes this standing dispute also
11 raises the issue of whether Plaintiffs are the real party in interest under Federal
12 Rule of Civil Procedure 17(a). A federal court sitting in diversity applies state law
13 in determining the real party in interest. *Allstate Ins. Co. v. Hughes*, 358 F.3d
14 1089, 1093-94 (9th Cir. 2004). Whatever doctrine is applied, the result is the

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17 ¹ The Court finds the parties are diverse for jurisdictional purposes where
18 Defendants CRGTS, Gonzalez, and Inzunza's interests align with Plaintiffs'
19 regarding the dispute over coverage. *See Scotts Co. v. Seeds, Inc.*, 688 F.3d 1154,
20 1157 (9th Cir. 2012).

1 same. Plaintiffs do not have standing nor are they the real party in interest to bring
2 this declaratory judgment action under Washington law.

3 Under Washington’s Uniform Declaratory Judgments Act (“UDJA”), an
4 “interested” person or person whose rights, status, or legal relations affected by a
5 contract may have the construction of that contract determined by a court. RCW
6 7.24.020. Standing under the UDJA requires (1) an interest “arguably within the
7 zone of interests to be protected or regulated by the statute or constitutional
8 guarantee in question” and (2) an “injury in fact,” economic or otherwise. *Grant*
9 *Cty. Fire Prot. Dist. No. 5 v. City of Moses Lake*, 150 Wash. 2d 791, 802 (2004)
10 (internal citations omitted).

11 Plaintiffs assert they have an interest in the coverage dispute between CDIC
12 and CRGTS. In cases such as this, either the insured or insurer bring declaratory
13 actions to determine issues of coverage as parties to the contract. *See, e.g.,*
14 *Farmers Ins. Co. of Washington v. Vue*, 151 Wash. App. 1005 (2009)
15 (unpublished) (“The usual procedural posture for these third party claims is that the
16 injured third party takes a judgment against the insured and agrees not to execute
17 in exchange for the assignment of any claims that the insured may have against his
18 own insurance company.”); *cf. Bench v. State Auto. & Cas. Underwriters, Inc.*, 67
19 Wash. 2d 999, 1000 (1965) (Action brought by insured dismissed where insured
20 previously assigned claim to a third party.). At best, third party claimants without

1 an assignment have the right to defend against a declaratory judgment. *Trinity*
2 *Universal Ins. Co. v. Willrich*, 13 Wash. 2d 263, 271 (1942); *Vue*, 151 Wash. App.
3 1005; *cf. Glandon v. Searle*, 68 Wash. 2d 199, 203 (1966) (third party claimants
4 could collaterally attack declaratory judgment in garnishment action).

5 While not directly on point, other Washington third-party claimant cases
6 lend support to the conclusion that Plaintiffs' interests are not within the zone of
7 those meant to be protected. A party who "is not an intended third party
8 beneficiary of the policy ... may not directly sue the insurer for breach of the
9 insurance contract represented by the policy." *Postlewait Const., Inc. v. Great Am.*
10 *Ins. Companies*, 106 Wash. 2d 96, 99 (1986). Moreover, third-party claimants
11 without an assignment do not have a direct cause of action against an insurer for
12 bad faith claims under the Consumer Protection Act and denial of coverage claims
13 under the Insurance Fair Conduct Act. *See Tank v. State Farm Fire & Cas. Co.*,
14 105 Wash. 2d 381, 393 (1986); *Trinity Universal Ins. Co. of Kansas v. Ohio Cas.*
15 *Ins. Co.*, 176 Wash. App. 185, 200-202 (2013).

16 Here, Plaintiffs are not parties to the insurance policy, nor are they third-
17 party beneficiaries or assignees. No cited case stands for the proposition that third-
18 party claimants such as Plaintiffs may initiate a declaratory judgment action
19 against both the insurer and insured to determine coverage over a contract between
20 Defendants. The Court concludes Plaintiffs' interests are not within the zone of

1 interests to be protected under Washington law. Where Plaintiffs lack standing
2 under the UDJA, the Court dismisses the action entirely. Plaintiffs' motion to
3 enjoin the collateral proceeding is therefore moot.

4 **ACCORDINGLY, IT IS HEREBY ORDERED:**

5 1. Plaintiffs' Motion to Enjoin Collateral Proceeding (ECF No. 8) is

6 **DENIED as MOOT.**

7 2. Defendant CDIC's Motion to Dismiss (ECF No. 14) is **GRANTED.**

8 The District Court Executive is directed to enter this Order and judgment
9 accordingly, furnish copies to counsel, and **CLOSE** the file.

10 DATED April 19, 2022.



12 A handwritten signature in blue ink that reads "Thomas O. Rice".

13 THOMAS O. RICE
United States District Judge

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